

2003 DRAFTING REQUEST**Assembly Substitute Amendment (ASA-AB531)**Received: **10/23/2003**Received By: **rmarchan**Wanted: **Today**

Identical to LRB:

For: **David Ward (608) 266-3790**By/Representing: **char**This file may be shown to any legislator: **NO**Drafter: **rmarchan**

May Contact:

Addl. Drafters:

Subject: **Econ. Development - bus. dev.**

Extra Copies:

Submit via email: **YES**Requester's email: **Rep.Ward@legis.state.wi.us**Carbon copy (CC:) to: **robert.marchant@legis.state.wi.us**
joseph.kreye@legis.state.wi.us

Pre Topic:

No specific pre topic given

Topic:

ASA (CAPCO changes) to AB-531 (CAPCO changes)

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
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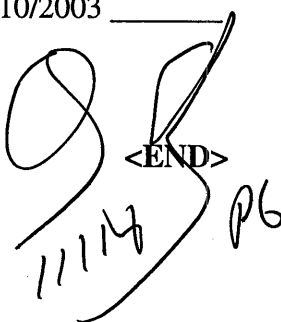
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[Handwritten signatures and initials are present over the drafting history table, including a large signature over the 'Typed' column for P1 and initials 'JF' in the bottom right.]

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Page 1

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Ron Shanovich (LFB)

Submit via email: YES

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Marchant, Robert

From: Rodriguez, Charlene
Sent: Wednesday, October 22, 2003 2:05 PM
To: Marchant, Robert
Subject: Changes in a Sub to AB 531/SB 249

Hi Mr. Marchant,

Please give me a call if you have any questions regarding these changes.

Thank You,

Char Rodriguez

Charlene Rodriguez
Research Assistant
State Representative David Ward
37th Assembly District
State Capitol, Room 321E
Madison, WI 53703
tel: 608-266-3791 (direct)
fax: 608-282-3637
e-mail: Charlene.Rodriguez@legis.state.wi.us



Redline.rtf

PROPOSED AMENDMENTS TO SB249

NOTES:

- The following amendments correspond to the numbers of the "Drafting Changes for CAPCO Program" proposed by the Wisconsin Department of Commerce on 10.2.03. The amendments are intended to address the changes requested by the department.
- References to the current CAPCO Act refer to subchapter II of chapter 560 of the statutes as currently in effect. References to the SB249 refer collectively to SB249 and the Senate Amendment thereto.
- The following amendments *supplement* the amendments proposed by SB249.

✓ 1. **560.36(3) of the CAPCO Act provides:**

A certified capital company may make a distribution only if . . . [t]he certified capital company has placed in qualified investments an amount equal to 100% of the certified capital investments in the investment pool." ?

560.30(10) is amended to read:

"Qualified distribution" means a distribution or payment by a certified capital company to its equity holders for any of the following:

2a. **560.30(10)(a) is amended to read:**

The costs of forming and syndicating, managing or operating the certified capital company, including the costs of financing and insuring the obligations of the certified capital company so long as, at the time the certified capital company initially receives its investment of certified capital from its certified investors, the certified capital company has cash or permissible investments equal to at least fifty percent (50%) of the amount of certified capital such certified capital company initially received as investment from its certified investors.

2b. **560.30(10)(b) of the CAPCO Act:**

An annual management fee that does not exceed 2.5% of the certified capital company's total certified capital to compensate the costs of managing and operating the certified capital company.

560.30(10)(c) is amended to read: deleted in its entirety.

Reasonable and necessary fees paid to third parties unaffiliated with the certified capital company for professional services related to the operation of the certified capital company's compliance with the regulatory requirements of subchapter II of chapter 560 of the statutes and the rules promulgated thereunder.

✓ 3. **560.33 is amended to read:**

(1) Qualifications. A business is a qualified business if all of the following requirements are met as of the time that a certified capital company, or any affiliate of the certified capital company, makes its first investment in the business:

560.33(1) (a) The business is headquartered in this state and its principal business operations are located in this state, or the business commits to relocate its headquarters and its principal business operations to this state within 90 days after the date the certified capital company makes its first investment in the business.

NOTE: The Commerce changes also suggest that the business intend to remain in Wisconsin after the investment. This suggested change is addressed in Section 560.34(1)(c) of the CAPCO Act which provides that "[a]s a condition of the investment, the qualified business agrees, as long as the certified capital corporation continues to hold the investment, not to relocate its headquarters out of this state."

NOTE: Section 560.34(1)(b) of the CAPCO Act should be amended as follows to make it consistent with the amended to (a) above. **Section 560.34(1)(b) is amended as follows:**

As a condition of the investment, the qualified business agrees not to use the proceeds from the investment for the purpose of relocating its operations other than to this state.

(am) The business is in need of venture capital and is unable to obtain conventional financing, as defined by the department by rule.

(b) The business has no more than 100 employees and any of the following applies:

1. At least 75% of ~~whom~~ those employees are employed in this state.
2. At least 75% of the total payroll of the business is paid to employees who are employed in this state.

(c) During its 2 most recent fiscal years, the business had, together with all of its consolidated affiliates, an average annual net income, after federal income taxes and excluding any carry-over losses, of not more than \$2,000,000, as determined in accordance with generally accepted accounting principles.

(d) The business has, together with its consolidated affiliates, a net worth that is not in excess of \$5,000,000.

X (e) The business is not predominantly engaged in professional services provided by accountants, business consultants, lawyers, or physicians.

(f) The business is not engaged in the development of real estate for resale or lease.

X (g) The business is not engaged in banking, ~~or~~ lending, lobbying or political consulting, and does not make any loans to, or investments in, certified capital companies.

X (h) The business is not predominately engaged in retail sales unless (i) the business is involved in catalog retail sales, whether print or electronic, or Internet based retail sales, technology related retail sales, (ii) the business is a manufacturer or service provider that sell its products or services directly to retail customers, or (iii) otherwise approved by the department as part of the approval process set forth in s. 560.33(2).

(i) The business is not a business that was created, formed, or organized by a certified capital company or an affiliate of a certified capital company; provided, however, that this clause (i) shall not prohibit a certified capital company from providing financial, technical, or other similar advice to a business prior to making an investment in such business.

NOTE: The definition of "affiliate" in the CAPCO Act seems sufficiently broad to capture the concept of an "individual associated with a certified capital company." Therefore, this exact language was not included in clause (i) above.

(i) The business is predominately engaged in one or more of the following:

1. Manufacturing, processing or assembling products.

2. Provision of services other than those services expressly excluded unless otherwise determined by the department as part of the approval process set forth in this s. 560.34(1)560.33(2).

3. Conducting research and development.

4. Any other business other than a business not expressly excluded in this s. 560.34(1) that is approved by the department as part of the approval process set forth in s. 560.33(2).

(k) Neither the certified capital company proposing to make the investment nor any of its affiliates shall have a financial relationship with the qualified business prior to the certified capital company's investment in such business unless otherwise approved by the department as part of the approval process set forth in s. 560.33(2).

(2) Department opinions and exceptions. A certified capital company ~~shall~~ may, prior to making an investment in a specific business, provide the department with a description of the proposed investment and business in a format prescribed by the department.~~request a written opinion from the department that a business in which it proposes to invest is a qualified business. If the department determines that the business meets the requirements under sub. (1), the department shall issue a written opinion stating that the business is a qualified business. The department shall have fifteen (15) business days from the receipt of such description to determine whether (i) the business in which the certified capital company proposes to invest meets the requirements of a qualified business under sub. (1) and (ii) the proposed investment is consistent with the certified capital company's investment criteria, and to notify the certified capital company of the department's determination and a detailed explanation thereof. If the department fails to notify the certified capital company of its determination within the fifteen (15) business day period, the business shall be deemed to be a qualified business and the investment shall be deemed to be consistent with the certified capital company's investment~~

criteria. As part of this approval process, the department may determine (i) that a business that otherwise meets the requirements of a qualified business under sub. (1) shall not be considered a qualified business if the certified capital company's proposed investment in such business is inconsistent with the certified capital company's investment criteria or (ii) that a business that does not meet the requirements of a qualified business under sub. (1) shall be deemed to be a qualified business if the certified capital company's proposed investment in such business will further the underlying goals of the [CITE TO CAPCO ACT] as recited in the [preamble of this act]¹. If the department does not make such a determination within fifteen (15) business days of its receipt of the description of the investment and business, then the department shall be precluded from making the determinations in the preceding sentence at a later date. In the event that the department determines that a business that otherwise meets the requirements of a qualified business under sub. (1) is not a qualified business because the certified capital company's proposed investment in such business is inconsistent with the certified capital company's investment criteria, then the certified capital company may appeal such determination to [] within [] ten (10) business days of such determination.

NOTE: Given that certified capital companies will be making investments in qualified businesses over a 7 to 10 year time period, it is possible that a certified capital company could change its investment criteria for that submitted to the department as part of that certified capital company's certification materials. That said, any such change would require the approval of the department. I suggest that a definition of "investment criteria" be included in the SB249. This will make clear that any reference to "investment criteria" refers to the investment criteria initially approved by the department as part of the certification process and any later approved investment criteria.

The following definition should be added to **Section 560.30**:

[] "Investment criteria" means a certified capital company's investment criteria submitted to the department as part of the certification process under s. 560.31, or any subsequent investment criteria of a certified capital company that is approved by the department prior to the certified capital company's implementation of such criteria.

4. The requested change is addressed in the response to item 3 above.

¹ The recitals / preamble to the SB249 should recite some of the underlying goal of the CAPCO Act which should include:

- expanding the economy of the state,
- creating and retaining jobs in the state,
- promoting the foundation and growth of small business within the state,
- promoting the growth of small business within the state, and
- providing resources in the form of capital and management expertise from both within and without the state.

5. **Section 560.34(1) is amended as follows:**

(1) **Qualified investments requirements.** In order for a certified capital company to prevent disqualification under s. 560.37 of an investment pool, the certified capital company shall ensure that the investment pool makes qualified investments in accordance with the schedule under sub. (1m). An investment is a qualified investment if the investment meets all of the following requirements:

(a) The investment is a cash investment in a qualified business for the purchase of any of the following:

1. ~~An equity security~~ Equity securities or equity participation instruments such as options or warrants of the qualified business, provided that the investment does not result in the certified capital company owning more than 50% of the voting equity of the qualified business (assuming full conversion and/or exercise of any equity participation instruments) unless otherwise approved by the department as part of the approval process set forth in s. 560.33(2).

2. A debt security of the qualified business if the debt has a maturity of at least 5 years and if one of the following conditions is met:

a. The debt is ~~unsecured~~ not secured by a first priority lien on any of the assets of the qualified business at the time of the certified capital company's qualified investment in such qualified business.

b. The debt (i) is convertible into equity securities or equity participation instruments such as options or warrants or (ii) has attached equity participation rights such as options or warrants, provided that, in either case, such debt is not convertible and such equity participation instruments are not convertible or exercisable into more than 50% of the voting equity of the qualified business, unless otherwise approved by the department as part of the approval process set forth in s. 560.33(2).

(b) As a condition of the investment, the qualified business agrees not to use the proceeds from the investment for the purpose of relocating its operations other than to this state.

(c) As a condition of the investment, the qualified business agrees, as long as the certified capital corporation continues to hold the investment, not to relocate its headquarters out of this state.

(d) As a condition of the investment, the qualified business agrees, as long as the certified capital corporation continues to hold the investment, to ~~maintain~~ do any of the following:

1. Maintain at least 75% of its employees in this state.

2. Pay at least 75% of its total payroll to employees who are employed in this state.

(e) As a condition of the investment, the qualified business agrees, as long as the certified capital corporation continues to hold the investment, to maintain at least 75% of its employees at work sites that were maintained by the qualified business at the time that the investment was made or at work sites that are within twenty-five (25) miles of the location of the headquarters or principal business operations of the qualified business at the time that the investment was made, unless the qualified business obtains an exemption from the department under this paragraph. The department may grant an exemption unless it determines that the qualified business is locating the employees at new sites to take advantage of lower wage rates in the areas where the new sites are located.

560.36 is renumbered and amend as follows:

(1) Distributions. A certified capital company may make a distribution only if one of the following conditions is met:

(a) Qualified distribution. The distribution is a qualified distribution.

(b) Written determination. The department made a written determination that the distribution may be made without adversely affecting the ability of the certified capital company to place, in qualified investments, an amount equal to 100% of the certified capital in the investment pool from which the distribution is to be made.

(3) ~~(c)~~ Placement of 100% of investments in qualified investments. The certified capital company has placed in qualified investments an amount equal to 100% of the certified capital investments in the investment pool and at least 60% of such qualified investments purchased equity securities, equity participation instruments such as options or warrants, or debt that (i) was convertible into equity securities or equity participation instruments such as options or warrants or (ii) had attached equity participation rights such as options or warrants.

(d) Debt payments. The distribution is a payment of principal or interest owed to a debt holder of a certified capital company, even if the debt holder is also a holder of equity and even if the indebtedness is a certified capital investment.

6. 560.31 is amended as follows:

(1) Application. The department shall promulgate rules establishing procedures under which a person may apply to become a certified capital company for receiving certified capital investments under s. 560.32(2)(b)1. or a certified capital company for receiving certified capital investments under 560.32(2)(b)2. The department shall grant or deny an application for certification under this section within 30 days of the date of application. If the department denies certification, the department shall include with the denial a detailed description of the grounds for the refusal, including suggestions for removal of those grounds. A person shall have the right to file an amended application for certification irrespective of the grounds for which the application was denied within fifteen (15) days of receipt of the department's denial. The department shall grant or deny such amended application for certification under this section within 15 days of the date of such amended application. If the department again denies certification, the department shall include with the denial a detailed description of the grounds

for the refusal. In the event of such additional denial, the person may appeal such determination to [] within [] ten (10) business days of such denial.

(2) Requirements for certification. The department shall certify a person as a certified capital company if the department determines that all of the following conditions have been met:

(a) The person is a partnership, corporation, trust or limited liability company, whether organized for profit or not for profit, that has as its primary business activity the investment of cash in qualified businesses.

(b) The person has a net worth, at the time of application, of at least \$500,000 and has at least \$500,000 in cash, cash equivalents and marketable securities.

(c) The directors, officers, general partners, trustees, managers or members or persons having a similar function are familiar with the requirements of this subchapter.

(d) At least 2 officers, directors, general partners, trustees, managers or members each have at least 2 years of experience in the venture capital industry.

(e) The person has included, in any offering material involving the sale of securities, the statement required under s. 560.32 (1).

(f) The person has paid a nonrefundable application fee of \$7,500.

^h (g) The person lists all persons that have an ownership interest in the person, including voting and non-voting ownership interests. The list must include the percentage ownership interest of each and whether the interest is voting or non-voting. If a person is an entity that is registered with the U.S. Securities and Exchange Commission under Section 12(g) or Section 15(d) of the Securities Exchange Act of 1934, as amended, the person must include only those persons having beneficial ownership of equity securities of five percent (5%) or more. In the event that such list contains the name of a corporation, general or limited partnership, trust, limited liability company, or other entity, a listing of all persons that have an ownership interest in such entity, including voting and non-voting ownership interests shall be provided.

ⁱ (h) The person submits its five-year business plan, which shall include its organization chart.

^j (i) The person submits its investment strategy, which shall include a summary of its investment criteria, and such investment strategy approved by the department in its reasonable discretion.

7. The requested change is addressed in the response to item 6 above.

8. The requested change is addressed in the response to item 3 above.

9. The requested change is addressed in the response to item 3 above.

9

[Circuit
Savings Act
to clear]

See LA & CO

11. We understand that the department has withdrawn this request.

10. Set forth below are two alternatives to state participation: one with a hurdle to state participation and one without a hurdle.

560.36(2) is created to read as follows:

(2) State participation. The state shall receive a twenty percent (20%) share of any distributions (other than (i) qualified distributions, (ii) payments of principal or interest owed to a debt holder of a certified capital company, even if the debt holder is also a holder of equity and even if the indebtedness is a certified capital investment, or (iii) the return of the initial \$500,000 equity contribution and any other equity contributions) from a certified capital company to its equity holders above and beyond the amount of distributions that would result in an internal rate of return on the total amount of certified capital investments received by the certified capital company plus any additional contribution to the certified capital company in excess of ten percent (10%).

20% of any
amt. above
an int. rate
of 10%
In calculation
must exclude
add'l contribs.

(2) State participation. The state shall receive a ten percent (10%) share of any distributions (other than (i) qualified distributions, (ii) payments of principal or interest owed to a debt holder of a certified capital company, even if the debt holder is also a holder of equity and even if the indebtedness is a certified capital investment, or (iii) the return of the initial \$500,000 equity contribution and any other equity contributions) from a certified capital company to its equity holders.

12 & 13. The changes requested by these items could prove to be adverse to the department's goals and good public policy. If these changes are made, a certified capital would likely not insure its obligations to its certified investors. The insurer of these obligations serve several important public policy functions including (i) screening prospective certified capital companies and (ii) acting as a "private regulator" of the program. The insurer will perform a significant amount of due diligence on a person before it insures that persons obligations to its certified investors. As a result, the private market operates to ensure that quality managers participate in the program. This is important to the state because quality managers are more likely to invest in successful businesses. Furthermore, the insurer will require a certified capital company to establish systems and procedures to ensure that the requirements of the program such as milestones, idle cash management and so forth are satisfied. Without this insurance, the program would lose this oversight from private industry whose interests in the program are aligned with those of the state.

14. If the intent is to have a panel of judges as opposed to the department staff analyze the applications based on the objective criteria set forth in Section 560.31, then the industry has no objection to this provision.

✓ 15a. 560.34(2)(g) is amended to read:

~~Swaps or other hedging transactions~~ designed to realize or protect the value of a qualified investment, if the counterparty is rated at least "A" or its equivalent by a nationally recognized credit rating organization.

NOTE: Swaps are an important component to cash management policies. Swaps are designed to protect the value of a qualified investment in periods when that investment may be at risk (for example, a standstill period following an acquisition or public offering). For this reason, it is important to maintain this flexibility. The fact that the counterparty is required to be rated at least "A" decreases any risk associated with the swaps.

15b. This request has been addressed in the amendment to Section 560.33 set forth in item 3 above.

16. Other proposed amendments:

✓ **560.32(3)(b) is amended to read:**

A certified capital company may obtain a guaranty, indemnity, bond, insurance policy and/or other payment undertaking for the benefit of its certified investors from any entity; provided, however, that, in no case shall more than one certified investor of such certified capital company or affiliates of such certified investor be entitled to provide such guaranty, indemnity, bond, insurance policy and/or other payment undertaking in favor of the certified investors of the certified capital company and its affiliates in this state.

✓ **560.[] is created as follows:**

The amendments to subchapter II of chapter 560 of the statutes effected by SB249 apply only to certified capital companies receiving certified capital investments under 560.32(2)(b)2.

NOTE: This provision is intended to make clear that the amendments to the CAPCO Act to be effect by SB249 only apply to "program 2." In other words, the industry would like to clarify that its investments under "program 1" will be governed by the statute currently in effect. This is important because many of the changes effected by SB249 are substantive changes. The certified capital companies raised money from their certified investors based on the statute currently in effect. To subject "program 1" to the changes to be effected by SB249, even on a prospective basis, could have a detrimental effect on a certified capital company.

“EARLY STAGE” AMENDMENT

NOTES:

- The following amendments to the CAPCO Act mandate a certain percentage of “early stage” investing.
- References to the current CAPCO Act refer to subchapter II of chapter 560 of the statutes as currently in effect.

560.30 of the CAPCO Act is amended to add the following definition:

[] “Early stage business” means a qualified business that is (i) involved in activities related to the development of initial product or service offerings, such as prototype development or establishment of initial production or service processes, at the time of a certified capital company’s initial investment in such business, or (ii) during the fiscal year immediately preceding the year of a certified capital company’s initial investment in such business had gross revenues of less than \$2.0 million, on a consolidated basis, as determined in accordance with generally accepted accounting principles, or (iii) otherwise approved by the department as an early stage business as part of the approval process set forth in s. 560.33(2).

560.34(1m)(a)2. is amended as follows:

a. With respect to certified capital companies receiving certified capital investments under 560.32(2)(b)1., within 5 years after the investment date for a particular investment pool, at least 50% of the investment pool shall be placed in qualified investments.

b. With respect to certified capital companies receiving certified capital investments under 560.32(2)(b)2., within 5 years after the investment date for a particular investment pool, at least 50% of the investment pool shall be placed in qualified investments, and of such 50%, at least 50% shall be placed in early stage businesses.

Marchant, Robert

From: Rodriguez, Charlene
Sent: Wednesday, October 22, 2003 5:09 PM
To: Marchant, Robert
Cc: Shepherd, Jeremy; Richards, Jon; McGinnis, Cindy; Kostelic, Jeff; Kostelic2, Jeff
Subject: CAPCO

Hi Rob,

Attached is the original document presented to the CAPCO's by Commerce which details the changes they'd like to see. I haven't had the opportunity to go through Tim Elverman's "layman's terms" memo on the changes to delineate what changes are already in the bill and what will be in the sub. I'll get that to you first thing tomorrow.

Call me if you have questions - I'll be in touch.

Thanks,

Char



Commerce CAPCO
Change.pdf

Wisconsin Department of Commerce
Drafting Changes for CAPCO Program

- 1) Clarify that a CAPCO may not make distributions (except qualified distributions) until the CAPCO has invested an amount equal to 100% of certified investments. s. 560.36
- 2) Qualified distributions shall only include:
- a) The cost of forming the CAPCO provided such costs do not exceed \$X or X% of the certified capital and are incurred prior to the Investment Date. 560.30 (10) (a).
 - b) An annual management fee that does not exceed 2.5% of the certified capital company's total certified capital
- 3) Qualified business means:
- a) Is headquartered and has its principal place of business in Wisconsin and intends to remain in Wisconsin after receipt of the investment by the CAPCO or is headquartered in another state and intends to relocate its headquarters and principal place of business to Wisconsin after receipt of the investment by the CAPCO.
 - b) Has not more than 100 employees and pays at least 80% of its payroll to employees in Wisconsin
 - c) Is primarily engaged in any of the following:
 - i) Manufacturing, processing, or assembling products
 - ii) Conducting research and development
 - iii) Other businesses not specifically excluded provided the CAPCO gets the written approval of Commerce
 - d) Is not primarily engaged in any of the following:
 - i) Retail sales
 - ii) Real Estate development
 - iii) The business of insurance, banking, lending, lobbying, or political consulting
 - iv) The provision of professional services provided by accountants, attorneys, physicians, or other health care professionals or business consultants
 - e) Is not a business that was created by the CAPCO, an affiliate of the CAPCO or an individual associated with the CAPCO.
 - f) The department shall have sole authority for determining if a business is a qualified business.
- 4) Notwithstanding any other definitions of qualified business, the CAPCO may not make an investment in a business with which the CAPCO or their affiliates (including CAPCOs in

other states and businesses in which those CAPCOs have invested) had a previous financial relationship unless prior approval is granted in writing by the department. 560.33 (2)

- 5) 60% of the investments made by the CAPCO shall be in the form of equity
- 6) Companies applying to the department for certification as a CAPCO will provide the following:
 - a) A completed disclosure statement identifying all persons who may financially benefit from the applicant's designation as a CAPCO
 - b) The applicant's overall investment strategy and the applicant's five year business plan, including organizational chart and investment criteria. 560.31 (2).
- 7) The department may refuse to certify an applicant based on their investment criteria or may require the applicant to amend their investment criteria. 560.31 (3)
- 8) Within 30 business days prior to making an investment in a qualified business, the CAPCO shall provide the department with a description of the investment and business in a format prescribed by Commerce. 560.33 (2).
- 9) Within 30 business days of receiving such notification, the department shall either:
 - a) Request additional information from the CAPCO or
 - b) Specify in writing the department's finding that the business was a qualified business and consistent with the CAPCO's stated investment criteria or
 - c) Specify in writing the department's finding that the business was not a qualified business under the definition above or that the investment was inconsistent with the CAPCO's stated investment criteria. 560.33 (2).
- 10) The managers of the applicant will enter into a covenant and agreement that the applicant will submit to Wisconsin a 20% share of any distributions (other than qualified distributions) from the applicant to its equity holders. 560.39
- 11) The CAPCO's shall liquidate all assets as of a specific date (12 years from the investment date with a 3 year extension available from Commerce). 560.37 (6)
- 12) Commerce suggest that the language be changed so that the certified investment made by an insurance company in a CAPCO cannot be decertified. Instead the CAPCO should pay a penalty for violating its agreement w/Commerce.
- 13) If the decertification provisions are eliminated, include a penalty provision that would allow Commerce to invoke a penalty for failure to meet investment thresholds or invest in qualified

businesses. This could be structured as either a reduced management fee, an increase in the state's participation rate or a direct charge to the CAPCO.

- 14) Commerce will develop rules that govern the allocation/approval process and shall have the flexibility of using a panel of judges, selected by the Secretary, to evaluate applications.

15) AB 531 Issues

- a) Eliminate eligibility to invest idle funds in swaps and hedge funds.
- b) Eliminate the "broadened" definition of qualified business, i.e., a definition that includes "a business that will further economic development in this state" is too expansive.

Wisconsin Department of Commerce
Drafting Changes for CAPCO Program

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2) Qualified distributions shall only include:

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- yes b) An annual management fee that does not exceed 2.5% of the certified capital company's total certified capital *fin*

3) Qualified business means:

Modified

- a) Is headquartered and has its principal place of business in Wisconsin and intends to remain in Wisconsin after receipt of the investment by the CAPCO or is headquartered in another state and intends to relocate its headquarters and principal place of business to Wisconsin after receipt of the investment by the CAPCO.
- * b) Has not more than 100 employees and pays at least 80% of its payroll to employees in ~~*~~ Wisconsin
- c) Is primarily engaged in any of the following:
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